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C O N F I D E N T I A L SECTION 01 OF 03 DHAKA 000502

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FOR S/CT COORDINATOR DAILEY FROM AMBASSADOR MORIARTY

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TAGS: [PTER](#) [PREL](#) [POGV](#) [ECON](#) [EAID](#) [KCOR](#) [BG](#)

SUBJECT: BANGLADESH SCENESETTER FOR COUNTERTERRORISM  
COORDINATOR DAILEY

Classified By: Ambassador James F. Moriarty, Reasons 1.4 (b) and (d)

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SUMMARY  
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11. (C) Your visit to Bangladesh comes at a critical juncture in the Caretaker Government's term. The Government has begun a dialogue with the political parties to set the stage for parliamentary elections by the end of 2008, to institutionalize reforms initiated after the Government came to power in January 2007, and to ensure the Government's safe exit following elections. Imprisoned former Prime Ministers Sheikh Hasina and Khaleda Zia maintain great influence in their respective parties, despite ongoing factional fighting between loyalists and so-called reformists. There are increasing calls for Hasina and Zia to be released from prison. Many are suspicious about the Army's political role and criticize its interference in the internal affairs of the parties. Others fear a return to the status quo ante, and the violent "winner take all" political culture. Underlying this fragile political and economic situation is the fact that Bangladesh remains a potential safe haven and transit hub for transnational terrorists because of its porous borders and limited law enforcement capacity. Your visit will help reinforce bilateral cooperation in combating terrorism and extremism. END SUMMARY.

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DEMOCRACY  
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12. (C) The Caretaker Government (CTG) came to power in January 2007, the day after a State of Emergency was declared to quell political violence that was spinning out of control in the run-up to parliamentary elections. The CTG, made up of 11 non-political advisers and strongly supported by the military, cancelled the elections and began cracking down on endemic political corruption and violence. The crackdown initially won broad public support, but frustration with the Caretaker Government spilled onto the streets in late August; at that point a dispute at Dhaka University between students and soldiers became a rallying point for thousands of Bangladeshis disaffected by inflation, other economic woes and restrictions on political activity. The Government stopped the protests by imposing a curfew backed up by a show of force from the army. Government leaders acknowledged privately to us and others the need to stick to the elections roadmap, to open up political discourse, and to communicate more effectively with the public.

13. (C) Bangladeshis welcomed an easing of the ban on politics and the initiation of formal dialogue between the Election Commission and the parties on political reform in September 2007. The relaxation of the ban threw internal party disputes into sharp relief. The most visible struggle is within the Bangladesh Nationalist Party (BNP), which governed the country from 2001 to 2006 under former Prime Minister Khaleda Zia. The Awami League, the other major party, has also experienced internal strife between reformers and loyalists to former Prime Minister Sheikh Hasina, but has maintained a public show of unity. Army Chief General Moeen Uddin Ahmed repeatedly has stated that he has no political ambitions, even as he assumes by default a higher public profile than the Chief Adviser, who is the top official in the Caretaker Government. General Moeen's term as Army Chief recently was extended by one year, to June 2009.

14. (C) The Caretaker Government marked its first anniversary in January with a broad shake-up. Five widely respected Bangladeshis took the place of advisers who resigned under pressure after a series of missteps contributed to the Government's eroding popularity. Five special assistants to the Chief Adviser also have been named to help the overworked Council manage its ambitious agenda. These changes have helped make the Caretaker Government more effective, but the Government remains weak.

15. (C) In the midst of the political jockeying, voter registration continues in preparation for national elections promised for no later than December 2008. While the mechanics of holding elections seem to be largely on track, there is still much debate about an "exit strategy" for the Caretaker Government and the military, who want to ensure a newly elected government maintains reforms and refrains from

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settling scores. They fear retribution from a resurgent political class that has been the main target of the anti-corruption campaign.

16. (C) The Government has begun a dialogue with the political parties, but the two sides have yet to resolve major stumbling blocks in the way of establishing a basic framework for elections and transfer of power. Corruption cases against the two former prime ministers have languished in court for a multitude of reasons, including legal maneuvers by the lawyers for the accused and apparent difficulties on the part of the Government in effectively marshaling evidence against the two ladies. The result is that the Awami League, the BNP and at least one other political party have demanded the release of the imprisoned former Prime Ministers in the course of the political party dialogue with the Caretaker Government. At the same time, there is much speculation about the role of the Bangladesh military in engineering the dialogue and its outcome.

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DEVELOPMENT  
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17. (C) Bangladesh's largest rice crop of the year is in the early stages of harvest. All signs point to a good crop, which will help augment the country's declining food stockpiles, drawn down radically in the wake of Cyclone Sidr and two floods in 2007. However, inflation, particularly of food prices, remains dangerously high for Bangladesh's desperately poor population, 84 percent of which subsists on less than \$2 a day. Millions of Cyclone Sidr victims remain in need of food, shelter and livelihood support. The Government of Bangladesh and international donors have not sustained the strong levels of assistance they provided victims in the cyclone's immediate aftermath. The Government has criticized the international community for failing to follow through on promises to assist Bangladesh with reconstruction efforts.

¶8. (C) Energy development and high fuel prices also are major challenges for the Government of Bangladesh. The Caretaker Government has continued the policies of previous governments by heavily subsidizing fuel and fertilizer prices. While the Government recently raised the price of compressed natural gas (CNG), it will leave for its successors significant debts as a result of the subsidies. Most experts agree the subsidies must be eased gradually or better targeted, though they recognize the likely political fallout of exacerbating inflation. The Caretaker Government has taken small steps to address the nation's severe energy shortage, including by soliciting bids for offshore oil exploration, but Bangladesh's expanding energy needs continue to outstrip supply.

¶9. (C) Investors remain skittish, due to the Caretaker Government's anti-corruption campaign (which targeted entrepreneurs as well as politicians), the uncertainty surrounding the transition to a new government by the end of the year, and doubts about the Caretaker Government's capacity to push decisions through its cautious bureaucracy. Public perceptions of the Caretaker Government are at an all-time low, particularly with regard to economics. In a survey conducted in March by The Asia Foundation, 80 to 90 percent of Bangladeshis surveyed said they were worse off economically under this government than under the previous one. Economists estimate GDP growth in Bangladesh this fiscal year (July 2007-June 2008) will fall to 6.0 percent or below, from last year's growth of 6.5 percent.

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DENIAL OF SPACE TO TERRORISTS  
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¶10. (C) Although Bangladesh is a moderate Muslim-majority nation, its porous borders -- particularly its maritime borders -- make it a potential transit point and safe-haven for terrorists. The USG funds many programs in Bangladesh to counter terrorism, including a wide range of training under the Anti-Terrorist Assistance program coordinated by the State Department. USAID and Public Affairs Section programs also address root causes of extremism through outreach to leaders of influence, including religious figures, and to madrasas. Human rights concerns have prevented the USG from engaging the paramilitary Rapid Action Battalion (RAB), which is the lead counterterrorism force in Bangladesh. RAB's

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record has improved under the Caretaker Government; during the first two weeks of March the United Kingdom provided human rights training to build on that positive trend.

¶11. (C) Bangladesh continues to arrest alleged members of Jamaatul Mujahedin Bangladesh (JMB), the banned Islamic extremist group responsible for a wave of bombings and suicide attacks in late 2005, and to recover bomb-making materials and weapons from their hideouts. Those arrests, along with the execution in March 2007 of six senior JMB leaders, appear to have depleted the organization and left it rudderless. Earlier this month, the Secretary of State designated Harakat ul-Jihad-i-Islami/Bangladesh (HUJI-B) as a Foreign Terrorist Organization and as a Specially Designated Global Terrorist. The designation elicited minimal public response from the government and society at large.

¶12. (C) Bangladesh's legal framework to address terrorist finance remains weak. It has neither an anti-terrorism law nor an anti-terrorism financing law. We have concerns that a revised anti-money laundering law may not be fully compliant with international standards, and we are working with the Government to amend the legislation. We continue to work with the Government to help develop a Financial Intelligence Unit in the central bank.

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YOUR VISIT

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¶13. (C) Your visit coincides with that of Assistant Secretary for South and Central Asian Affairs Richard Boucher. You should emphasize the importance of continued bilateral cooperation in combating terrorism and extremism. You also should underscore the importance of adherence to international standards of human rights and due process, including in the pursuit of terrorism suspects. Strict adherence to human rights norms will remain a key component for future USG assistance, including potentially the RAB. You should voice USG support for a peaceful transition in Bangladesh by the end of 2008. You can commend the Caretaker Government for its work in tackling Bangladesh's endemic corruption, which creates a fertile environment for terrorism, while noting the importance of due process in prosecuting those suspected of corruption.  
Moriarty